

PGA Foundation, Inc.

Financial Statements

March 31, 2024 and 2023

PGA Foundation, Inc.
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March 31, 2024 and 2023

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Report of Independent Auditors

To the Board of Directors of PGA Foundation, Inc.

Opinion

We have audited the accompanying financial statements of PGA Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of March 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink, appearing to read "RICE WATERHOUSE LLP", written over a horizontal line.

Miami, Florida
September 25, 2024

PGA Foundation, Inc.
Statements of Financial Position
March 31, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 630,744	\$ 630,217
Accounts receivable, net	2,767,600	489,139
Prepaid expenses and other current assets	237,204	123,340
Total current assets	<u>3,635,548</u>	<u>1,242,696</u>
Investments	4,015,509	-
Long-term prepaid expenses	1,713	3,427
Other assets	970	970
Total assets	<u>\$ 7,653,740</u>	<u>\$ 1,247,093</u>
Liabilities and net assets without donor restrictions		
Current liabilities		
Accounts payable and accrued expenses	\$ 101,571	\$ 709,274
Current portion of deferred revenue	448,005	475,161
Due to PGA of America	3,389,842	715,099
Total current liabilities	<u>3,939,418</u>	<u>1,899,534</u>
Total liabilities	<u>3,939,418</u>	<u>1,899,534</u>
Commitments and contingencies (Note 6)		
Net assets without donor restrictions		
Total net assets without donor restrictions	<u>(652,441)</u>	<u>(652,441)</u>
Net assets with donor restrictions		
Total net assets with donor restrictions	<u>4,366,763</u>	<u>-</u>
Total net assets	<u>3,714,322</u>	<u>(652,441)</u>
Total liabilities and net assets with and without donor restrictions	<u>\$ 7,653,740</u>	<u>\$ 1,247,093</u>

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statements of Activities
Years Ended March 31, 2024 and 2023

	2024	2023
Change in net assets without donor restrictions		
Revenues and support		
Contributions received	\$ 13,830,533	\$9,383,980
Fundraiser event entry fees	10,000	68,750
Sponsorship and other revenue	324,206	217,337
Investment income, net	671	631
Merchandise sales	450	-
Total revenues and support	<u>14,165,860</u>	<u>9,670,698</u>
Expenses		
Administrative expenses	581,482	2,659,868
Fundraising expenses	1,399,721	844,226
Junior league golf expenses	1,129,514	-
Hope program expenses	1,615,230	2,554,009
Works program expenses	2,644,190	2,228,834
Fundraiser event expenses	1,175,225	146,456
Contributions made	5,620,498	1,237,305
Total expenses	<u>14,165,860</u>	<u>9,670,698</u>
Change in net assets without donor restrictions	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statements of Changes in Net Assets
Years Ended March 31, 2024 and 2023

	2024		2023	
	Designated	Undesignated	Designated	Undesignated
Unrestricted net assets - beginning of year	\$ -	\$ (652,441)	\$ -	\$ (652,441)
Increase/decrease in unrestricted net assets		-	-	-
Change in unrestricted net assets	-	-	-	-
Unrestricted net assets - end of year	<u>\$ -</u>	<u>\$ (652,441)</u>	<u>\$ -</u>	<u>\$ (652,441)</u>

	2024		2023	
	Designated	Undesignated	Designated	Undesignated
Restricted net assets - beginning of year	\$ -	\$ -	\$ -	\$ -
Increase/decrease in restricted net assets	4,366,763		-	-
Change in restricted net assets	4,366,763		-	-
Restricted net assets - end of year	<u>\$ 4,366,763</u>		<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net gain on forgiveness of related party debt	-	(1,990,303)
Changes in net assets without donor restrictions		
Accounts receivable	(2,278,461)	(376,808)
Prepaid expenses and other assets	(113,864)	279,597
Due to PGA of America	2,674,743	1,218,000
Long-term prepaid expenses	1,714	(3,427)
Accounts payable and accrued expenses	(607,703)	519,010
Deferred revenue	(27,156)	324,899
Net cash (used in) provided by operating activities	<u>(350,727)</u>	<u>(29,032)</u>
Cash flows from investing activities		
Purchase of designated investments	<u>(4,015,509)</u>	<u>-</u>
Net cash provided by investing activities	<u>(4,015,509)</u>	<u>-</u>
Cash flows from financing activities		
Increase from donor restricted endowment fund	<u>4,366,763</u>	<u>-</u>
Net cash provided by financing activities	<u>4,366,763</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 527</u>	<u>\$ (29,032)</u>
Cash and cash equivalents		
Beginning of year	<u>630,217</u>	<u>659,248</u>
End of year	<u>\$ 630,744</u>	<u>\$ 630,217</u>
Supplemental disclosure of non-cash financing activities		
Settlement of related party debt for not assets transferred	\$ -	\$ 5,509,697

The accompanying notes are an integral part of these financial statements.

PGA Foundation, Inc.
Notes to Financial Statements
March 31, 2024 and 2023

1. Organization and Nature of Operations

The PGA Foundation, Inc. (the "Foundation") is involved in various charitable activities and grant programs to promote the game of golf. The Foundation is affiliated with The Professional Golfers' Association of America, Inc. (the "PGA of America"), through representation on boards of directors, management and other activities. The Foundation does business as PGA REACH.

2. Transfer of the Junior League Golf to the PGA of America

On April 1, 2022, the Foundation transferred the Junior League Golf to the PGA of America. Given the Foundation and PGA of America are affiliates under common control, the transfer took place in accordance with ASC 805-50, subsection *Transactions Between Entities Under Common Control*. The net assets were transferred at historical carrying values and consisted of the following:

Cash and cash equivalents	\$ 38,325
Accounts receivable, net	11,583
Prepaid expense and other current assets	3,555,284
Intangible assets, net	374,688
Goodwill	3,415,000
Long-term prepaid expenses	1,308,052
Deferred revenue	<u>(3,193,235)</u>
Total net assets transferred	<u>\$ 5,509,697</u>

Consideration for the Junior League Golf transfer resulted in a reduction of the \$7,500,000 line of credit due to PGA of America for the value of the Junior League Golf and the remaining amount of \$1,990,303 being forgiven. Refer to Note 8.

3. Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies are described below.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Foundation transitioned to FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), from ASC Topic 605, *Revenue Recognition*, on April 1, 2019 using the modified retrospective transition method. The financial statements reflect the application of ASC 606 guidance beginning in the year ended March 31, 2020. The transition to ASC 606 represents a change in accounting principle. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no cumulative effect adjustment was required. The presentation and disclosures of revenue have been enhanced in accordance with the standard. ASC 606 eliminates

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March 31, 2024 and 2023

industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

Additionally, in June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, a revised standard on accounting for contributions, which became effective for the Foundation on April 1, 2019 and was applied prospectively. The amendments in this Update clarify the scope and accounting guidance for contributions, as distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in Subtopic 958-605, whereas for exchange transactions, an entity should follow other guidance (for example, ASC 606).

Contributions, including unconditional promises to give, are recognized in the period received. Revenue from fundraising tournaments is recognized when the event takes place. Revenue from all other activities is recognized at the time the goods or services are provided and the Foundation's performance obligations have been satisfied. The Foundation is not party to any conditional or unconditional pledges for future contributions.

The Foundation also recognizes revenue from championship events hosted by the PGA of America. Total revenue related to these championship events were \$0 and \$20,850 for the years ended March 31, 2024 and 2023, respectively, and are included within contribution revenue, sponsorship revenue and fundraising event entry fees within the accompanying statements of activities.

Current accounting standards require that companies disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Foundation has included its revenues and support disaggregated in its statements of activities to satisfy this requirement.

All revenue amounts are recorded net of applicable sales tax, if applicable.

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include cash on hand and on deposit. The Foundation deposits cash and cash equivalents with financial institutions which management believes are of high credit quality.

The Foundation considers investments purchased with an original maturity of three months or less when acquired to be cash equivalents. Investments purchased with an original maturity of more than three months at the date of acquisition, but less than twelve months, are classified as short-term. Short-term investments of the Foundation consist of certificates of deposit, and are stated at contract price, which approximates fair value.

Accounts Receivable and Allowance for Credit Losses

The Foundation adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), effective January 1, 2023. The standard introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses and will apply to trade receivables. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements and no additional reserve was deemed necessary.

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Accounts receivable are stated at the gross invoice amount, net of an allowance for credit losses. The allowance for credit losses is maintained at a level considered adequate to provide for potential account losses on the balance based on management's evaluation of the anticipated impact of current economic conditions, changes in the character and size of the balance, past and expected future loss experience, among other pertinent factors. Accounts receivable deemed collectible are charged against the allowance for credit losses when identified. As of March 31, 2024 and 2023, the company recorded \$0 as an allowance for credit losses.

The Foundation records receivables for event sponsorships, event entry fees and team registrations in the year in which the events are held. Accounts receivable are carried at the original invoice amount less an allowance for credit losses based upon the Foundation's assessment of various factors, including historical experience and other factors that may affect customers' ability to pay. Accounts receivable are written off when deemed uncollectible and recoveries of accounts receivable previously written off are recorded when received. As of March 31, 2024 and 2023, the reserve for bad debt was \$0 as write-offs have historically been insignificant.

Prepaid Expenses and Other Current Assets

Prepaid expenses include deposits and other expenses paid in advance. As of March 31, 2024 and 2023, the amount of prepaid expenses was \$237,204 and \$123,340, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as intangible assets with determinable lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset in conjunction with other assets at the lowest level of separately identifiable cash flows. If the undiscounted cash flow test for recoverability identifies a possible impairment, management will perform a fair value analysis. If the carrying amount of an asset or asset group exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount of the asset or asset group exceeds its fair value.

Deferred Revenue

Revenue received in advance is deferred until such time as the event takes place or services are rendered. Revenue received for events that are scheduled to occur more than 12 months after are classified as noncurrent.

Endowments

The Foundation classified endowments as net assets with donor restrictions on the statements of financial position. The use of these endowments is restricted to the purpose designated by the donor. If The Foundation wishes to use the funds for other needs, The Foundation must receive written confirmation from the donor beforehand.

The Foundations endowment income distribution policies are designed to preserve the value of the endowment in real terms and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on the total return, the proportion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year.

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In the fiscal year 2023, the Foundation received multiple unique endowment donations. This was the first year the Foundation had received endowments and therefore did not redeem any of the interest income as revenue in the fiscal year.

As of March 31, 2024, the balance of the endowments are as follows:

Places to Play Fund	4,015,313
PGA HOPE Fund	20,000
HBCU Fund	331,450
	<u>4,366,763</u>

Net Assets

The Foundation classifies contributions received with temporary donor restrictions as net assets with temporary donor restrictions, and classifies contributions received with permanent donor restrictions as net assets with permanent donor restrictions. All other contributions are classified as net assets without donor restrictions. Donor restricted contributions that are satisfied within the same period as received are classified as net assets without donor restrictions on the accompanying statements of financial position.

Income Taxes

The Foundation is a public charity exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Provision for unrelated business income tax, when applicable, is made for activities unrelated to the stated tax-exempt purposes of the Foundation.

4. Functional Allocation of Expenses

For the years ended March 31, 2024 and 2023, the Foundation's functional allocation of expenses is represented as follows:

	2024	2023
Program expenses		
Support of other charitable entities	\$ 5,620,498	\$ 1,237,305
Total program expenses	5,620,498	1,237,305
Fundraiser event expenses	1,175,225	146,455
Junior league golf expenses	1,129,514	-
Hope expenses	1,615,230	2,554,009
Works expenses	2,644,190	2,228,834
Administrative expenses	581,482	2,659,869
Fundraising expenses	1,399,721	844,226
Total expenses	<u>\$ 14,165,860</u>	<u>\$ 9,670,698</u>

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All management and general expenses that were directly attributable to a specific program were allocated to that program. Administrative expenses include certain costs allocated to the Foundation by the PGA of America based on an analysis of time spent performing Foundation functions. For the years ended March 31, 2024 and 2023, total allocations were \$452,318 and \$2,464,139, respectively. Significant items allocated were salaries and wages of \$341,151 and \$1,881,769 for the years ended March 31, 2024 and 2023, respectively. Another significant item allocated relates to travel expenses of \$4,367 and \$367,239 for the years ended March 31, 2024 and 2023, respectively.

5. Fair Value of Financial Instruments

The Foundation records certain assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. The Foundation has adopted ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, on April 1, 2020. The adoption of this standard did not have any impact on the Foundation's financial statements. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchical framework has been established that classifies assets, based on the market observability of the inputs used to determine fair value, into the following three categories:

- | | |
|---------|---|
| Level 1 | Quoted prices for identical instruments in active markets to which the Foundation has access at the date of measurement. |
| Level 2 | Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable. |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation. |

Inputs are used in applying the various valuation techniques for determining fair value and may include price information, market transaction data, investment liquidity and other factors. An investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value. Transfers between levels are recognized on the date they occur.

Fair values for marketable securities are based on quoted market prices from an active exchange. The Foundation's holdings of individual marketable securities where the value may be determined by referring to quoted prices from an active exchange are classified in Level 1.

The following table summarizes the significant terms of the agreements with investment managers by major category:

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	March 31, 2024		March 31, 2023	
	Redemption Frequency	Redemption Notice	Redemption Frequency	Redemption Notice
Money market funds	Daily	1 Day	Daily	1 Day
Fixed income	Daily	1 Day	Daily	1 Day
Equity investments				
Domestic	Daily - Quarterly	1 to 60 Days	Daily - Quarterly	1 to 60 Days
International	Daily - Quarterly	1 to 60 Days	Daily - Quarterly	1 to 60 Days

All investments are carried at fair value in the accompanying statements of financial position.

6. Commitments and Contingencies

Litigation

The Foundation is subject to various legal claims arising in the normal course of business out of the conduct of its current operations. Based on information currently available, it is the opinion of management that the ultimate resolution of pending litigation and threatened proceedings will not have a material adverse effect on the Foundation's financial position or results of activities or cash flows, beyond its current estimates.

7. Risks and Uncertainties

Credit Risk

Financial instruments which potentially expose the Foundation to concentration of credit risk consist primarily of cash, short-term investments and accounts receivable. The Foundation places its cash and cash equivalents with high quality financial institutions. Deposits held in -noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits, in the same ownership category, and the combined total insured is \$250,000. As of March 31, 2024 and 2023, interest and noninterest-bearing accounts exceeded the FDIC limit by approximately \$380,744 and \$380,217, respectively.

Concentration of Contributions

The Foundation received 23% and 21% of its contributions from one donor for the years ended March 31, 2024 and 2023, respectively.

8. Related Party Transactions

The Foundation's cash receipts and cash disbursements are processed through the PGA of America's centralized cash disbursement system. The financial impact of these transactions is recorded through Due from PGA of America within the accompanying statements of financial position.

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During fiscal year 2015, the Foundation's purchase of League Golf was funded by a line of credit extended to the Foundation by the PGA of America. The balance of the line of credit was \$0 and \$0 at March 31, 2024 and 2023, respectively. The Foundation accrues interest monthly on the balance of the line of credit at an interest rate equal to the monthly mid-term federal rate, which was 1.89% as of March 31, 2022. The Foundation records accrued interest to Due to/ from PGA of America. Total noncash interest expense for the years ended March 31, 2024 and 2023 is \$0 and \$0. On April 1, 2022, Junior League Golf was transferred from the Foundation to the PGA of America. Consideration for the Junior League Golf transfer resulted in a reduction of the \$7,500,000 line of credit due to PGA of America for the value of the Junior League Golf and the remaining amount of \$1,990,303 being forgiven.

The Foundation received contributions from the PGA of America for the years ended March 31, 2024 and 2023 in the amount of \$3,188,756 and \$1,991,815, respectively, which are included in contributions received within the accompanying statements of activities.

As discussed in Note 4, administrative expenses include certain costs for the years ended March 31, 2024 and 2023 in the amount of \$567,377 and \$2,464,139, respectively, allocated to the Foundation by the PGA of America.

9. Subsequent Events

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 25, 2024, the date the financial statements were available for issuance, and determined that no additional items required disclosure.